

CITY OF Cunningham
Financial Statements

December 31, 2011

ATC Accounting

City of Cunningham
Financial Statements
December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Component Units Are Omitted-Separate Entity Financial Statements Have Been Issued

Honorable Mayor and City Council
City of Cunningham
Cunningham, Kansas 67035

We have audited the accompanying financial statements of the City of Cunningham, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Cunningham, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as a component unit. Accounting principles generally accepted in United States of America require the financial data for those component units to be reported with the financial data of the City's primary government. The primary government financial statements referred to above do not include the financial data of component units of the City of Cunningham, Kansas. The effect on the financial statements of the omission of the component units, although not reasonably determined, is presumed to be material.

As described more fully in Note 1, the City has prepared these financial statements using accounting practices prescribed and permitted by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Cunningham, Kansas, as of December 31, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Cunningham, Kansas as of December 31, 2011, and its cash receipts and expenditures, and budgetary comparisons, for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Respectfully submitted,

ATC Accounting

ATC Accounting

June 22, 2012

City of Cunningham, Kansas

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City of Cunningham, Kansas
Summary of Expenditures – Actual and Budget
For the Year Ended December 31, 2011

Description	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable To Current Year Budget	Variance Over (Under)
Governmental Fund Types:					
General	\$ 149,935	\$ -	\$ 149,935	\$ 146,420	\$ (3,515)
Special Revenue:					
Library	8,779	-	8,779	8,722	(57)
Employee Benefits	33,597	-	33,597	33,252	(345)
Special Highway	22,000	-	22,000	18,577	(3,423)
Debt Service:					
Bond and Interest	40,136	-	40,136	38,587	(1,549)
Capital Projects:					
Capital Improvements **	31,750	-	31,750	13,249	(18,501)
Proprietary Fund Types:					
Enterprise:					
Water Utility	88,650	-	88,650	85,019	(3,631)
Sewer Utility	65,100	-	65,100	58,556	(6,544)

** Capital Funds are not required to be a budgeted fund.

The notes to the financial statements are an integral part of this statement

City of Cunningham, Kansas
General Fund
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Tax	\$ 65,567	\$ 68,115	\$ (2,548)
Delinquent Tax	2,193	-	2,193
Motor Vehicle Tax	17,653	14,502	3,151
Recreational Vehicle Tax	399	364	35
16/20M Vehicle Tax	153	28	125
Franchise Fees	20,135	17,000	3,135
Local Sales Tax	7,588	-	7,588
Licenses and Permits	525	1,325	(800)
Charges for Services – Swimming Pool	5,866	3,500	2,366
Grants and Donations	2,860	6,500	(3,640)
Interest on Idle Funds	54	-	54
Reimbursements	3,419	-	3,419
Miscellaneous Receipts	2,942	3,500	(558)
Fire Protection	21,233	21,233	-
Fire Department Grants and Donations	6,558	10,000	(3,442)
Sale of Assets	4,476	-	4,476
Total Cash Receipts	161,621	\$ 146,067	\$ 15,554
Expenditures			
General Administration			
Salaries and Wages	28,936	\$ 26,771	\$ 2,165
Administrative	13,011	9,500	3,511
Utilities	14,682	14,000	682
Insurance	3,984	9,500	(5,516)
Planning and Zoning	104	1,000	(896)
Trees, Parks, Recreation	6,265	12,500	(6,235)
Swimming Pool	21,988	16,500	5,488
Dues and Donations	3,665	2,000	1,665
Fuel	4,856	5,000	(144)
Demolition	-	3,000	(3,000)
Streets and Sidewalks	9,988	850	9,138
Maintenance and Repairs	8,110	9,500	(1,390)
Fire Department Expenses	16,566	35,000	(18,434)
Neighborhood Revitalization Rebate	3,418	2,783	635
Miscellaneous	5,076	2,031	5,076

City of Cunningham, Kansas
General Fund (Cont)
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

	Actual	Budget	Variance Over (Under)
Capital Outlay	5,771	-	3,740
	<hr/>		
Total Expenditures	146,420	\$ 149,935	\$ (3,515)
	<hr/>		
Cash Receipts Over (Under) Expenditures	15,201		
Unencumbered Cash , January 1	12,892		
	<hr/>		
Unencumbered Cash, December 31	\$ 28,093		
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City of Cunningham, Kansas
Library Fund
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

		Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Tax	\$ 6,887	\$ 7,169	\$ (282)
Delinquent Tax	212	-	212
Motor Vehicle Tax	1,573	1,281	292
Recreational Vehicle Tax	36	32	4
16/20M Vehicle Tax	14	3	11
Interest on Idle Funds	-	86	(86)
Total Cash Receipts	8,722	\$ 8,571	\$ 151
Expenditures			
Contractual Services	8,362	\$ 8,503	\$ (141)
Neighborhood Revitalization Rebate	360	276	84
Total Expenditures	8,722	\$ 8,779	\$ (57)
Cash Receipts Over (Under) Expenditures	-		
Unencumbered Cash, January 1	-		
Unencumbered Cash, December 31	\$ -		

City of Cunningham, Kansas
Employee Benefit Fund
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Tax	\$ 24,343	\$ 25,351	\$ (1,008)
Delinquent Tax	717	-	717
Motor Vehicle Tax	6,460	5,414	1,046
Recreational Vehicle Tax	146	135	11
16/20M Vehicle Tax	51	11	40
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	31,717	\$ 30,911	\$ 806
	<hr/>	<hr/>	<hr/>
Expenditures			
Social Security and Medicare	8,225	\$ 7,000	\$ 1,225
Insurance	18,530	20,000	(1,470)
KPERS	4,841	4,500	341
Unemployment	383	500	(117)
Neighborhood Revitalization Rebate	1,273	1,097	176
Miscellaneous	-	500	(500)
	<hr/>	<hr/>	<hr/>
Total Expenditures	33,252	\$ 33,597	\$ (345)
	<hr/>	<hr/>	<hr/>
Cash Receipts Over (Under) Expenditures	(1,535)		
Unencumbered Cash, January 1	<hr/> 4,580		
Unencumbered Cash, December 31	<hr/> \$ 3,045		

City of Cunningham, Kansas
Special Highway Fund
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Special Highway Tax	\$ 11,718	<u>\$ 12,520</u>	<u>\$ (802)</u>
Expenditures			
Street Repair	<u>18,577</u>	<u>\$ 22,000</u>	<u>\$ (3,423)</u>
Cash Receipts Over (Under) Expenditures	(6,859)		
Unencumbered Cash, January 1	<u>9,888</u>		
Unencumbered Cash, December 31	<u>\$ 3,029</u>		

City of Cunningham, Kansas
Bond and Interest Fund
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Tax	\$ 31,810	\$ 32,182	\$ (372)
Delinquent Tax	922	-	922
Motor Vehicle Tax	5,676	4,327	1,349
Recreational Vehicle Tax	128	108	20
16/20M Vehicle Tax	65	9	56
Interest on Idle Funds	54	40	14
	<hr/>		
Total Cash Receipts	38,655	\$ 36,666	\$ 1,989
	<hr/>		
Expenditures			
Bond Payments	36,972	\$ 38,938	\$ (1,966)
Neighborhood Revitalization Rebate	1,615	1,198	417
	<hr/>		
Total Expenditures	38,587	\$ 40,136	\$ (1,549)
	<hr/>		
Cash Receipts Over (Under) Expenditures	68		
Unencumbered Cash, January 1	<hr/> 6,229		
Unencumbered Cash, December 31	<hr/> \$ 6,297		

City of Cunningham, Kansas
Capital Improvement Fund
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Interest on Idle Funds	\$ 115	\$ 125	\$ (10)
Transfer – Water	-	6,000	(6,000)
Transfer - Sewer	-	6,000	(6,000)
	<u>115</u>	<u>\$ 12,125</u>	<u>\$ (12,010)</u>
Expenditures			
Equipment	-	\$ 3,300	\$ (3,300)
Swimming Pool Improvements	-	4,200	(4,200)
Park Improvements	4,500	4,250	250
Water Improvements – Lease Payments	4,375	12,000	(7,625)
Sewer Improvements – Lease Payments	4,374	8,000	(3,626)
	<u>13,249</u>	<u>\$ 31,750</u>	<u>\$ (18,501)</u>
Cash Receipts Over (Under) Expenditures	(13,134)		
Unencumbered Cash, January 1	<u>13,483</u>		
Unencumbered Cash, December 31	<u>\$ 349</u>		

City of Cunningham, Kansas
Water Utility Fund
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Charges for Services	\$ 87,886	\$ 72,000	\$ 15,886
Total Cash Receipts			
Expenditures			
Salaries and Wages	29,175	\$ 24,000	\$ 5,175
Employee Benefits	6,054	6,000	54
Administration	6,272	5,000	1,272
Analytical Fees	521	1,000	(479)
Utilities	4,707	4,000	707
Tank/Tower Maintenance	3,006	12,500	(9,494)
Contracted Services	9,300	-	9,300
Maintenance	20,400	18,500	1,900
Sales Tax	880	650	230
Water Production	1,879	1,400	479
Chemicals	1,550	1,600	(50)
Engineering	-	5,000	(5,000)
Miscellaneous	275	3,000	(5,725)
Capital Outlay	1,000	-	1,000
Transfer – Capital Improvements	-	6,000	(3,000)
Total Expenditures	85,019	\$ 88,650	\$ (3,631)
Cash Receipts Over (Under) Expenditures	2,867		
Unencumbered Cash, January 1	17,120		
Unencumbered Cash, December 31	\$ 19,987		

City of Cunningham, Kansas
Sewer Utility Fund
Statement of Cash Receipts and Expenditures – Actual and Budget
For The Year End December 31, 2011

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Charges for Services	\$ 56,427	<u>\$ 52,000</u>	<u>\$ 4,427</u>
Expenditures			
Salaries and Wages	29,175	\$ 24,000	\$ 5,175
Employee Benefits	6,054	5,000	1,054
Administration	6,108	3,500	2,608
Utilities	1,001	1,500	(499)
Analytical Fees	300	1,000	(700)
Chemicals	365	600	(235)
Contracted Services	8,919	15,500	(6,581)
Maintenance	5,089	8,000	(2,911)
Miscellaneous	545	-	545
Capital Outlay	1,000	-	1,000
Transfer – Capital Improvements	-	6,000	(6,000)
Total Expenditures	<u>58,556</u>	<u>\$ 65,100</u>	<u>\$ (6,544)</u>
Cash Receipts Over (Under) Expenditures	(2,129)		
Unencumbered Cash, January 1	<u>20,092</u>		
Unencumbered Cash, December 31	<u>\$ 17,963</u>		

City of Cunningham, Kansas
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Cunningham, Kansas was incorporated in 1887, and operates as a third-class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, water, sewer, sanitation, health and social services, culture and recreation services, planning and zoning, public improvements, and general administrative services.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Library is a component unit of the City. Financial information for the component unit has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with generally accepted accounting principles.

The governing bodies of the following are appointed by the City:

- 1) Library. The Cunningham City Library operates the City's Public Library. Acquisition or disposition of real property by the board must be approved by the City. The City levies taxes for the Library. Bond issuances must be approved by the City.

The Library's financial statements can be obtained from the City Clerk.

Fund Accounting

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on restrictions or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary. Within each of these three categories there are one or more fund types. The City uses the following fund types:

Governmental Type Funds

General Fund- The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds- Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes only.

Debt Service Funds- Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by proprietary funds).

Proprietary Type Funds

Enterprise Funds- Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where that stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

Statutory Basis of Accounting- The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an inter-fund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has adopted a resolution that is in compliance with Kansas Statutes, waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America- The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Leave Policies

Vacation

All full-time employees of the City are entitled to paid vacation. After one full year of employment, employees are entitled to ten working days of paid vacation. At the end of fifteen years employment, employees are entitled to fifteen working days of paid vacation. After twenty years employment, employees are entitled to twenty days of paid vacation. Employees are not allowed to accumulate vacation from year to year. The vacation time is paid at the employee's regular rate. Unused vacation pay will be paid to employees upon termination, if proper notice of resignation is given.

The cost of accumulated vacation leave is shown on Footnote 11 and will be recorded as an expenditure at the time the vacation leave is utilized, as normal personal service expenditures.

Sick leave

After a 90 day training period, an employee is given ten days sick leave plus 2 personal days each year of employment. A total of sixty days sick leave can be accumulated. Any unused accumulated sick leave may be used by an employee during their employment with the City and if employment is served. Upon termination or resignation, the unused accumulated amount is not paid to the employee. Therefore, accumulated sick leave has not been accrued.

Reimbursements

Reimbursements are defined as repayments of amounts remitted on behalf of another party. All reimbursements shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursement was directly tied to the amount of the original cash disbursement.

2. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general operating fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was a budget amendment for the year ended December 31, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received, expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services, and are usually evidenced by a purchase order or written contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

A legal operating budget is not required for capital project funds, fiduciary funds, and permanent funds.

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

3. Property Taxes

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due ½ on December 20th and ½ the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the City and therefore are not susceptible to accrual.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

4. Deposits and Investments

As of December 31, 2011, the City of Cunningham had no investments other than certificates of deposit, which are considered deposits under GASB Statement No. 3. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county if such an institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during the designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$88,673 and the bank balance was \$90,462. The bank balance was held by one bank resulting in a possible concentration of credit risk. Of the bank balance \$90,462 was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State Statutes require investments to be adequately secured.

5. Inter-fund Transfers

During 2011 no operating transfers were made.

6. Defined Benefit Pension Plan

Plan Description

The City of Cunningham contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report that includes financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414 (h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for 2011, which includes pension contributions and group death disability insurance, was 6.74%. The employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009, were \$9,085, \$6,141, and \$4,015, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits

As provided by K.S.A 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the City purchases commercial insurance.

During the year ended December 31, 2011, the City did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

9. Compliance with Kansas Statutes

A payment made on the General Obligation Bonds was not received by the Office of the State Treasurer 20 days prior to the due date of the payments which does not meet the requirements of K.S.A. 10-130. The payment was received 19 days prior to the due date for the payment due on August 1st. The City has taken corrective action to assure payments are received 20 days prior to the due date. No punitive action will be taken as a result of the violation.

The City is not aware of any other non-compliance with Kansas Statutes.

10. Subsequent Events

In preparing the financial statements, the City of Cunningham's management has performed an evaluation of activity for potential recognition or disclosure through June 22, 2012, the date the financial statements were available to be issued. Management has concluded that there are no significant subsequent events requiring disclosure.

11. Long-Term Debt

Changes in long-term liabilities for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning Balance 01/01/11	Additions	Reductions/ Payments	Net Change	Ending Balance 12/31/11	Interest/ Service Fees Paid
General Obligation Bond:										
Series 1997	5.6-5.65%	01/27/1997	\$ 374,000	08/01/2012	\$ 70,000	\$ -	\$ 35,000	\$ -	\$ 35,000	\$ 1,973
Capital Lease:										
Bobcat Lease	4.753%**	06/05/2007	24,000	06/05/2011	3,255	-	3,255	-	-	45
Equipment Lease	4.105%**	12/18/2011	42,825	12/18/2016	-	42,825	8,000	-	34,825	-
Total Contractual Indebtedness					73,255	42,825	46,255	-	69,825	2,018
Compensated Absences					-	-	-	1,413	1,413	-
Total Long-Term Debt					\$ 73,255	\$ 42,825	\$ 46,255	\$ 1,413	\$ 71,238	\$ 2,018

Year	General Obligation Bond		Bobcat Lease		Equipment Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 35,000	\$ 1,978	\$ -	\$ -	\$ 6,406	\$ 1,310	\$ 41,406	\$ 3,288
2013	-	-	-	-	6,674	1,042	6,674	1,042
2014	-	-	-	-	6,953	763	6,953	763
2015	-	-	-	-	7,244	472	7,244	472
2016	-	-	-	-	7,548	168	7,548	171
	\$ 35,000	\$ 1,978	\$ -	\$ -	\$ 34,825	\$ 3,755	\$ 69,825	\$ 5,736

**These are implied interest rates. Lease has monthly rental payments for the term of the lease.

